

Consolidated Quarterly Financial Results for the Three Months Ended June 30, 2017 [Japanese GAAP]

August 10, 2017

Company: **Hokuetsu Kishu Paper Co., Ltd.**
 Stock Code: 3865
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 Scheduled date of submission of quarterly report: August 14, 2017
 Scheduled date of commencement of dividend payments: –
 Supplementary documents for quarterly results: None
 Quarterly results briefing: None

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(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the Three Months Ended June 30, 2017 (April 1, 2017 through June 30, 2017)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2017	67,196	1.6	3,786	5.9	4,733	109.3	3,827	74.5
Three months ended June 30, 2016	66,148	15.3	3,576	176.4	2,261	(17.2)	2,193	20.9

(Note) Comprehensive income: Three months ended June 30, 2017: 3,613 million yen (91.3%)
 Three months ended June 30, 2016: 1,889 million yen (-36.3%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2017	20.30	20.15
Three months ended June 30, 2016	11.64	11.37

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2017	364,366	183,833	50.2
As of March 31, 2017	362,205	181,034	49.8

(Reference) Equity: As of June 30, 2017: 183,041 million yen
 As of March 31, 2017: 180,294 million yen

2. Dividends

	Annual dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	–	6.00	–	6.00	12.00
Fiscal year ending March 31, 2018	–				
Fiscal year ending March 31, 2018 (forecast)		6.00	–	6.00	12.00

(Note) Revisions to dividend forecasts published most recently: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018 (April 1, 2017 through March 31, 2018)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent company		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	136,000	2.8	4,000	(35.4)	5,500	27.7	3,500	6.8	18.55
Full year	280,000	6.7	12,000	(7.0)	16,000	13.8	11,000	6.0	58.26

(Note) Revisions to business forecasts published most recently: None

*** Notes**

(1) Changes in significant subsidiaries during the three months ended June 30, 2017 (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement of prior period financial statements

(i) Changes in accounting policies due to revision of accounting standards: None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement of prior period financial statements: None

(4) Shares outstanding (common stock)

(i) Number of shares outstanding at the end of period (treasury stock included):

As of June 30, 2017	209,263,814 shares	As of March 31, 2017	209,263,814 shares
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(ii) Number of treasury stock at the end of period:

As of June 30, 2017	20,351,531 shares	As of March 31, 2017	20,794,944 shares
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(iii) Average number of shares during period:

Three months ended June 30, 2017	188,581,784 shares	Three months ended June 30, 2016	188,409,085 shares
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*** The quarterly business result report is exempt from the quarterly review procedure based on the Financial Instruments and Exchange Act.**

*** Explanation regarding appropriate use of business forecasts and other special instructions**

The forward-looking statements such as forecasts of financial results contained in this material are based on information available to the Company at the time of the publication of this document and certain assumptions that the Company considers to be reasonable, and may differ materially from the actual results due to various factors. Refer to “1. Qualitative Information on Consolidated Operating Results, etc. for the First Quarter; (3) Qualitative Information Concerning Consolidated Earnings Forecasts” on page 3 of the accompanying materials for matters related to results forecasts.

*** This document is an excerpt translation of the original in Japanese and is for reference purposes only. In case of any discrepancy between this document and the original in Japanese, the latter shall take precedence.**

1. Qualitative Information on Consolidated Operating Results, etc. for the First Quarter

(1) Qualitative Information Concerning Consolidated Operating Results

During the three months under review, net sales amounted to 67,196 million yen (up 1.6% year on year) and operating income increased to 3,786 million yen (up 5.9% year on year), due primarily to higher sales and improved earnings at overseas subsidiaries. Ordinary income rose to 4,733 million yen (up 109.3% year on year) and net income attributable to owners of parent company came to 3,827 million yen (up 74.5% year on year).

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets increased 2,161 million yen from the end of the previous fiscal year, to 364,366 million yen. Major factors included increases in merchandise and finished goods of 3,187 million yen and investment securities of 1,720 million yen, chiefly reflecting rising share prices, as well as a fall in property, plant and equipment of 2,626 million yen due to depreciation.

Total liabilities declined 636 million yen from the end of the previous fiscal year, to 180,533 million yen. This was attributable mainly to decreases in provisions of 1,450 million yen and interest-bearing debt of 346 million yen, as well as an increase in notes and accounts payable – trade of 1,208 million yen.

Net assets rose 2,798 million yen from the end of the previous fiscal year, to 183,833 million yen, chiefly reflecting an increase in retained earnings of 2,696 million yen due mainly to net income attributable to owners of parent company.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts announced on May 12, 2017 remain unchanged.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2017	As of June 30, 2017
(Assets)		
Current assets		
Cash and deposits	19,494	19,252
Notes and accounts receivable - trade	64,150	61,765
Electronically recorded monetary claims	3,858	4,345
Merchandise and finished goods	20,510	23,697
Work in process	1,976	2,684
Raw materials and supplies	22,402	23,874
Other	7,254	7,236
Allowance for doubtful accounts	(48)	(48)
Total current assets	139,598	142,808
Non-current assets		
Property, plant and equipment		
Buildings and structures	80,360	80,664
Accumulated depreciation	(47,394)	(47,874)
Buildings and structures, net	32,966	32,789
Machinery, vehicles, tools, furniture and fixtures	410,774	412,125
Accumulated depreciation	(328,827)	(332,094)
Machinery, vehicles, tools, furniture and fixtures, net	81,946	80,030
Other, net	29,468	28,934
Total property, plant and equipment	144,381	141,754
Intangible assets	3,172	3,020
Investments and other assets		
Investments in securities	68,906	70,626
Other	8,606	8,616
Allowance for doubtful accounts	(2,460)	(2,459)
Total investments and other assets	75,052	76,783
Total non-current assets	222,606	221,558
Total assets	362,205	364,366

(Million yen)

	As of March 31, 2017	As of June 30, 2017
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	20,149	21,358
Electronically recorded obligations	7,737	7,458
Short-term loans payable	26,823	27,900
Commercial papers	11,000	11,000
Income taxes payable	1,334	653
Provision	3,109	1,733
Other	13,409	13,838
Total current liabilities	83,564	83,942
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term debt, less current maturities	48,540	47,181
Provision	840	766
Liability for defined benefit	13,656	13,693
Asset retirement obligations	2,056	2,039
Other	2,511	2,909
Total non-current liabilities	97,605	96,591
Total liabilities	181,170	180,533
Net assets		
Shareholders' equity		
Capital stock	42,020	42,020
Capital surplus	45,396	45,534
Retained earnings	90,752	93,448
Treasury stock	(10,160)	(9,987)
Total shareholders' equity	168,010	171,015
Accumulated other comprehensive income		
Unrealized holding gains on available-for-sale securities, net of taxes	10,534	11,630
Unrealized losses on hedging derivatives, net of taxes	(56)	(23)
Foreign currency translation adjustment	1,595	227
Accumulated adjustments for retirement benefit, net of taxes	210	191
Total accumulated other comprehensive income	12,284	12,026
Subscription rights to shares	140	146
Non-controlling interests	600	644
Total net assets	181,034	183,833
Total liabilities and net assets	362,205	364,366

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
(First three-month period)

	(Million yen)	
	For the three-month ended June 30, 2016	For the three-month ended June 30, 2017
Net sales	66,148	67,196
Cost of sales	52,512	53,010
Gross profit	13,636	14,186
Selling, general and administrative expenses	10,059	10,399
Operating income	3,576	3,786
Non-operating income		
Interest income	13	15
Dividends income	488	472
Equity in income of affiliates	371	165
Foreign currency exchange gains	–	313
Others	271	253
Total non-operating income	1,145	1,220
Non-operating expenses		
Interest expenses	164	156
Foreign currency exchange loss	1,927	–
Others	368	117
Total non-operating expenses	2,460	273
Ordinary income	2,261	4,733
Extraordinary income		
Gain on sales of property, plant and equipment	4	199
Gain on sales of investment in securities	0	46
Insurance income	–	20
Total extraordinary income	5	266
Extraordinary losses		
Loss on sales and retirement of property, plant and equipment	191	181
Loss on reduction of property, plant and equipment	–	10
Other	2	–
Total extraordinary losses	193	191
Income before income taxes	2,073	4,807
Income taxes - current	239	539
Income taxes - deferred	(355)	387
Total income taxes	(116)	926
Net income	2,189	3,881
Net income (loss) attributable to non-controlling interests	(4)	53
Net income attributable to owners of parent company	2,193	3,827

Quarterly Consolidated Statements of Comprehensive Income
(First three-month period)

(Million yen)

	For the three-month ended June 30, 2016	For the three-month ended June 30, 2017
Net income	2,189	3,881
Other comprehensive income		
Unrealized holding gains (loss) on available-for-sale securities, net of taxes	(660)	860
Unrealized gains (loss) on hedging derivatives, net of taxes	(229)	33
Foreign currency translation adjustment	589	(1,378)
Adjustments for retirement benefit, net of taxes	(22)	(19)
Share of other comprehensive income of associates accounted for using equity method	22	235
Total other comprehensive income	(300)	(268)
Comprehensive income	1,889	3,613
Comprehensive income attributable to owners of parent company	1,925	3,568
Comprehensive income attributable to non-controlling interests	(36)	44

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes on Any Significant Change in the Value of Shareholders' Equity)

Not applicable.